

Chapter 1

Capital Budget Request Basics

1.1 STRATEGIC FRAMEWORK FOR BUDGET DECISIONS

The budget is one of the most important tools for implementing policy and achieving results

In its review of agency capital budget requests, OFM will ask these key questions:

- What are the most effective strategies and activities in which to invest and how does the capital budget request support them?
- How do we know we are purchasing these construction activities at the best possible price?
- Given financial or other constraints, how can we maximize the results that citizens want?
- How do proposed capital investments support the agency's mission, goals and objectives?
- How do investments support the statewide priorities in the Priorities of Government budget process?

Persuasive capital plans address agency and statewide priorities

1.2 CAPITAL BUDGETS ARE TEN-YEAR PLANS

Agencies are required to submit ten-year capital plans

The state Budgeting, Accounting and Reporting System Act (Chapter 43.88 RCW) mandates a long-range approach to capital budget planning. It requires state agencies and institutions to submit a plan of proposed capital spending for a ten-year period, starting with the ensuing biennium. This long-range planning is designed to identify future needs and propose capital projects to address those needs. The ten-year capital plan, also referred to as the capital budget, must support the agency's mission and the goals and objectives of its strategic plan.

Projects can span several biennia

The ten-year planning process recognizes that major capital projects span several biennia from start to finish. In the ten-year plans, project information must include estimates for present and future operating and maintenance costs, including any debt service that must be paid from a dedicated account.

More project detail required in the first six years

OFM recognizes that certainty about state programs declines as agencies look farther into the future. Therefore, the last four years of the capital plan do not need to contain the same level of project detail as the first six years.

Major lease projects are now part of the ten-year capital plan

RCW 43.82.035 now requires major leases to be included in the ten-year capital plans. A major lease is any proposed lease project of 20,000 gross square feet or more. Similar to capital projects included in the ten-year plan, project information must include estimates for present and future operating costs. Leases must be entered into the Capital Budget System (CBS) using a project type "Lease" with a fund type "LEA." Questions on how to enter leases in CBS should be directed to the BASS Helpdesk at (360) 725-5278 or OFMBASS@ofm.wa.gov.

1.3 HOW IS THE CAPITAL BUDGET REQUEST ORGANIZED?

Summary of Ten-Year Capital Plan

The Ten-Year Capital Program Summary report (CBS001) from CBS provides a summary of the agency's projects in priority order.

Prioritize projects

Agencies must prioritize each capital project in the ten-year capital plan by its contribution to the goals, objectives, strategies and activities in the agency's strategic plan.

See “Capital Budgeting System (CBS) Agency Division and Facility User Tutorial” on how to prioritize projects in the system at: <http://BASS.ofm.wa.gov/BASSPR/library/>, or if you are a Fortress agency, at <https://fortress.wa.gov/ofm/bass/BassPR/library/default.htm>.

FTE Summary

Agencies must provide a Capital FTE Summary (CBS004), which displays:

- Staff and expenditures budgeted for capital projects in the 2011-13 biennium.
- Proposed staff and expenditures for the 2013-15 biennium.
- Narrative describing the role of proposed FTEs and an explanation for any changes from the 2011-13 biennium.

Policy guidelines for administrative and staff costs in the capital budget are contained in Chapter 5.1. This report is produced through CBS.

Review documentation from DAHP and GOIA

In accordance with Executive Order 05-05, agencies must consult with the Department of Archaeology and Historic Preservation (DAHP) and the Governor's Office of Indian Affairs (GOIA) on all capital construction projects and land acquisitions (for the purpose of a capital construction project) before they can be considered for funding.

Agencies must submit with their capital budget, a letter from DAHP confirming that the proposed capital projects have been reviewed. (Some agencies may have an exemption from this requirement from DAHP.) If the request is a grant that contains multiple sub-projects, ensure that this requirement is contained in the application process or the contract. (See Chapter 1.7 for DAHP contact information.)

Greenhouse gas emissions reduction and vehicle miles reduction

For all capital budget requests, agencies are required to submit documentation indicating that they have adopted policies to reduce greenhouse gas emissions in accordance with RCW 70.235.070, and to reduce annual per capita vehicle miles in accordance with RCW 47.01.440 or RCW 43.160.020 for rural counties. (Generally, rural counties include all counties except Clark, King, Kitsap, Pierce, Snohomish, Spokane and Thurston. See <http://www.ofm.wa.gov/pop/popden/rural.asp> for a current listing.)

Agencies submitting a major capital project design or construction funding request also must address those components/systems in the project that support their greenhouse gas reduction policy and vehicle miles reduction policy.



Final project cost report

As recommended in the 2009 JLARC report, “Evaluation of the Accuracy of Capital Cost Estimates,” agencies must complete a Final Project Cost Report for all major projects (\$5 million or more in total cost) that have reached final completion and financial close-out in the current biennium. The report will record information needed to compare completed projects with cost and scope estimates submitted in requests for capital budget appropriations. OFM has developed a template for the final project close-out report which is available on the OFM website at: <http://www.ofm.wa.gov/budget/capitalforms/finalprojectcloseout.xlsx>.

Agencies shall include a list of projects that meet these criteria, along with the report(s). The project list and associated cost estimates are required submittal items with the 2013-15 capital budget request.

Backlog reduction plan

RCW 43.88.03(5d) requires agencies to develop a strategic plan for reducing their maintenance backlogs and for doing repair projects. This plan must be included in the capital budget submittal. (More information is available in Chapter 3.1.)

Project information is grouped by project classification

More detailed project information is presented by project classification. There are three project classes:

- Preservation: Projects that maintain, preserve and extend the life of existing state facilities and assets.
- Programmatic: Projects that primarily achieve a program goal.
- Grant: Projects that provide capital appropriations to state, tribal, local or community organizations for facilities, land acquisition, habitat, and other land or project improvements. In CBS, there is a Grant Pass-Through option for grants that do not have a sub-project list. There is no requirement for listing the location for these items as it is typically unknown.

Each project requires specific information depending on class and size

Each proposed project requires supporting information that varies depending on the class and size of the project. Chapter 1.4 provides a guide to the differences in submittal requirements.

A Capital Project Request report (CBS002) must be submitted for each project greater than \$1 million (\$2 million for higher education institutions). See Chapter 2.4 for the report format.

A Capital Project Request report (CBS002) must also be submitted for the collection of minor works projects (projects less than \$1million, or \$2 million for higher education institutions). These projects shall be identified as “Sub-Projects” in the minor works (omnibus) request. A separate request must be submitted for “Preservation,” “Program” and “Grant” projects. A Bond Fund Cash Flow Estimate is required for all preservation and program projects.

Less than \$1 million – minor works and grants (or less than \$2 million for higher education institutions)

Grants and minor works projects must also include:

- list of sub-projects (applicable to grants if list is available)
- city and legislative district of each sub-project
- project type (e.g., health, safety or infrastructure).

More than \$1 million (or more than \$2 million for higher education institutions)

Each project also must include:

Capital Project Cost Estimate report (CBS003). This new report, which replaced the old C100 report, is created in CBS.

Also see requirements in the Predesign Manual:

<http://www.ofm.wa.gov/budget/instructions/predesign/predesign.asp>.

More than \$5 million

Each project more than \$5 million also must include:

Confirmation that the predesign has been approved by OFM (as required), if design funding or design and construction funding are requested.

Also see the Predesign Manual for requirements if predesign funding is requested.

1.4 WHAT ARE THE SUBMITTAL REQUIREMENTS?**When is the budget due to OFM?**

Agencies must submit budget data electronically and in paper format (seven copies) to OFM by the due dates outlined in Appendix A-1 of the operating budget instructions.

What are the required components of the budget submittal?

The following chart shows how required components of the budget submittal should be organized in the notebooks submitted to OFM. For budget submittal definitions and requirements by statute, refer to RCW 43.88.020, 43.88.030, 43.88.032-060, 43.88.090 and 43.88.120.

Guide to organizing the required ten-year plan submittal components:

TAB A

- ☐ **Ten-Year Plan Summary Information**
- ☐ **Ten-Year Capital Program Summary CBS report**
- ☐ **DAHP Review Letter and Exempt Project List** (*Chapter 1.3*)
- ☐ **Greenhouse Gas & Vehicle Emissions Reduction Policy** (*Chapter 1.3*)
- ☐ **FTE Summary – Narrative and FTE Details** (*Chapter 5*)
- ☐ **Final Project Close-out Cost Report** (*Chapter 1.3*)

TAB B

All Preservation
Projects

- ☐ **Capital Project Request (CBS002) CBS report** (*Chapter 2.4*)
- ☐ **Bond Fund and Cash Flow Estimates** – For bond or cash projects, if applicable for required agencies. (*Chapter 2.5*)
- ☐ **Sub-Project List for each minor works project** – If a minor works project is included in CBS002. (*Chapter 2.7*)
- ☐ **Backlog Reduction Plan** (*Chapter 3.1*)
- ☐ **Projects between \$1 million and \$5 million and higher education projects between \$2 million and \$5 million** – Capital Project Cost Estimate (CBS003) (*Chapter 2.6*)

TAB CAll Programmatic
Projects

- ☐ **All Projects more than \$5 million – Predesign Study** (*Chapter 2.6*) – If requesting funds for the design or construction phase. *Must be received by OFM by July 1.*
- ☐ **All Projects more than \$5 million – Major Project Request Report** – For projects using alternative financing only. (*Chapter 2.6*) *Must be received by OFM prior to August.*
- ☐ **Capital Project Request** (CBS002) *CBS report (Chapter 2.4)*
- ☐ **Bond Fund and Cash Flow Estimates** – For bond or cash projects, if applicable for required agencies. (*Chapter 2.5*)
- ☐ **Sub-Project List for each minor works project** – If a minor works project is included in CBS002. (*Chapter 2.7*)
- ☐ **Required Additional Information for Land Acquisitions** (*Chapter 2.8*)
- ☐ **Projects between \$1 million and \$5 million and higher education projects between \$2 million and \$5 million** – Capital Project Cost Estimate (CBS003) (*Chapter 2.6*)
- ☐ **Projects between \$1 million and \$5 million and higher education projects between \$2 million and \$5 million** – Comprehensive Financing Plan – For projects using alternative financing only. (*Chapter 2.6*)
- ☐ **Projects between \$1 million and \$5 million and higher education projects between \$2 million and \$5 million** – Simplified Predesign Study (*Chapter 2.6*).
- ☐ **All projects more than \$5 million** – Predesign Study (*Chapter 2.6*) – If requesting funds for the design or construction phase. *Must be received by OFM by July 1.*
- ☐ **All projects more than \$5 million** – Major Project Request Report – For projects using alternative financing only. (*Chapter 2.6*) *Must be received by OFM prior to August.*
- ☐ **Growth Management Questions**, if applicable (*Chapter 6.1*)

TAB D

Grant Projects

- ☐ **Capital Project Request** (CBS002) *CBS report (Chapter 2.4)*
- ☐ **Project List for each grant** – Now included in CBS002 if projects are known prior to submittal. (*Chapter 1.3*)

In certain cases, an operating budget decision package must also be submitted for 2013-15 operating budget costs associated with a project. (See Chapter 2.3)

Use the Capital Budget System (CBS) for developing budget proposals

The CBS serves as a tool for budget development and electronic budget submittal. The reporting feature of CBS provides most of the documentation needed for the electronic and paper submittal. Additional information that agencies would like to submit can be included as an attachment to a project in CBS.

CBS is available on two websites. For users with access to the state government network, the address is: http://BASS.ofm.wa.gov/BASSLOGON_PR/.

If you cannot access this site or you do not have access to the state government network, use: https://fortress.wa.gov/ofm/bass/BASSLogon_pr/logon.aspx.

For questions about CBS or to obtain authorization for CBS or BASS data release, contact the BASS Helpdesk at 360-725-5278 or OFMBASS@ofm.wa.gov.

Electronic submittal through CBS

Each agency must submit seven complete paper copies of its capital budget document to OFM. Three of these copies are retained by OFM, two are sent to the Senate Ways and Means Committee, and two are sent to the House Capital Budget Committee. Capital budget documents must be submitted in a separate binder than the operating budget documents.

All of the required documents will be submitted electronically through CBS. Additional information can be included as electronic attachments in the system. If agencies must resubmit their capital plans to correct an error, they must resubmit paper and CBS data.

What are the format requirements?

- Number all pages.
- Reduce oversized materials by photocopier whenever possible.
- Three-hole punch all material and assemble each copy in a standard size notebook.
- Organize and tab the material as shown above.

What is the submittal address?

Office of Financial Management
Insurance Building
302 Sid Snyder Avenue S.W.
PO Box 43113
Olympia, WA 98504-3113

1.5 OTHER GENERAL PREPARATION REQUIREMENTS

Required fund code conventions for budget documents

Use the codes designated in the State Administrative and Accounting Manual (SAAM) (<http://www.ofm.wa.gov/policy/75.htm>) for accounts, programs, appropriation types and other identifiers. Account codes require both the account number and the appropriation type code that indicates the source character of the funds involved. **There is one exception: use “COP” as the account code for projects using certificate of participation financing.**

Project numbers and titles must not be changed

Once established in the budget, project numbers (identifiers) and project titles, must **NOT** be changed during the life of the project. Project numbers serve as the unique identifier of the project and will be used for project monitoring and comparisons throughout the life of the project.

To support this need for better project tracking, the structure of the project number has changed. Project numbers will be automatically generated in CBS. The project number will no longer contain information about the fiscal year and project class. This information will be available elsewhere in CBS.

If the agency needs to request a reappropriation or new appropriation for the project, CBS will allow the project to be copied to the next biennium.

1.6 OFM CAPITAL BUDGET STAFF CONTACTS

If you have questions about these instructions or specific capital budget requests, contact your agency's assigned Capital Budget staff.

Analyst Assignment List

Steve Lewandowski, Capital Budget Assistant 360-902-0384 Steve.lewandowski@ofm.wa.gov	Jeanne Rynne, Capital Budget Assistant 360-902-3068 Jeanne.rynne@ofm.wa.gov
Office of Financial Management Military Department Department of Enterprise Services Secretary of State Statute Law Committee Department of Corrections Department of Veterans Affairs Department of Social and Health Services Center for Childhood Deafness and Hearing Loss School for the Blind State Parks and Recreation Commission Department of Fish and Wildlife Department of Transportation Department of Commerce Liquor Control Board Washington State Patrol Criminal Justice Training Commission Department of Ecology Recreation and Conservation Office State Conservation Commission Department of Agriculture Department of Health Department of Natural Resources	Community colleges (all) Student Achievement Council University of Washington Washington State University Eastern Washington University Central Washington University The Evergreen State College Western Washington University K-12 Employment Security Department Washington State Historical Society Eastern Washington State Historical Society Department of Archeology and Historic Preservation Department of Labor and Industries

Scott Perkins, Facilities Analyst /Lifecycle Cost Model Consultant
 360-902-0451
scott.perkins@ofm.wa.gov

Sandi Triggs, Senior Budget Assistant to the Governor
 360-902-0562
sandi.triggs@ofm.wa.gov

1.7 OTHER CONTACTS

Capital Budget System (CBS)	DES ISD Budget Help Desk 360-725-5278 DESmiISDBudgetHelpdesk@des.wa.gov
Growth Management Act compliance and local government contacts	David Andersen , Department of Commerce 509-434-4491 dave.andersen@commerce.wa.gov
Bond fund cash flow plans	Pam Johnson , Office of the State Treasurer 360-902-9021 pam@tre.wa.gov
Certificates of participation	Wendy Kancianich , Office of the State Treasurer 360-902-9022 wendy.kancianich@tre.wa.gov
Sustainable practices	Keith Phillips , Governor's Executive Policy Office 360-902-0630 Keith.phillips@ofm.wa.gov
Archaeological and cultural resources	Allyson Brooks , Department of Archaeology and Historic Preservation 360-586-3066 allyson.brooks@dahp.wa.gov
Building commissioning, energy conservation, and LEED™	Engineering and Architectural Services, Department of Enterprise Services 360-902-7272 http://ga.wa.gov/Construction/3PlanDesign.htm
Additional copies of the Capital Budget Instructions	OFM website at: http://www.ofm.wa.gov/budget/instructions/capital.asp